

## AUDITING PROCEDURES REPORT

Issued under P.A.2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Oxford, Michigan	County Oakland
Audit Date June 30, 2005	Opinion Date October 7, 2005	Date Accountant Report Submitted to State: December 16, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised,
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (PA. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Rehmann Robson			
Street Address 5750 New King Street, Suite 100	City Troy	State MI	Zip 48098
Accountant Signature			

**VILLAGE OF OXFORD  
MICHIGAN**

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED  
JUNE 30, 2005**

**VILLAGE OF OXFORD, MICHIGAN**  
**Basic Financial Statements and Supplementary Information**  
**For the Year Ended June 30, 2005**

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**VILLAGE OF OXFORD, MICHIGAN**  
**Basic Financial Statements and Supplementary Information**  
**For the Year Ended June 30, 2005**

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**REHMANN ROBSON**

*Certified Public Accountants*

*A member of THE REHMANN GROUP*

*An Independent Member of Baker Tilly International*

## **INDEPENDENT AUDITORS' REPORT**

**October 7, 2005**

To the Village Council  
Village of Oxford, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the ***Village of Oxford, Michigan***, as of and for the year ended June 30, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the ***Village of Oxford, Michigan's*** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the ***Village of Oxford, Michigan***, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles general accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2005, on our consideration of the ***Village of Oxford, Michigan's*** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis listed in the table of contents on Pages 3 through 12 and the Schedule of Funding Progress on Page 47 are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the ***Village of Oxford, Michigan's*** basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

***MANAGEMENT'S DISCUSSION  
AND ANALYSIS***

# VILLAGE OF OXFORD, MICHIGAN

## Management's Discussion and Analysis

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As management of the *Village of Oxford, Michigan*, (the "Village") we offer readers of the Village's financial statements this narrative overview and analysis of the activities of the Village for the fiscal year ended June 30, 2005.

### Financial Highlights

- At the end of the current fiscal year, unreserved fund balance for the general fund was \$699,620 or 32% of total general fund expenditures for the fiscal year. The total general fund balance of \$841,000 increased by \$118,509 or 16%.
- The special revenue street funds (major, local and municipal) total fund balances increased by \$58,178 or 14.2% to a total of \$466,683.
- The Sewer Fund operating revenues were up \$18,770 or 3.6% from the prior year. The Sewer Fund unrestricted cash and investments increased by \$80,886 or 5.8% to \$1,480,000. The Water Fund operating revenues were up \$19,498 or 2.6%. The Water Fund unrestricted cash and investments increased by \$304,507 or 33.7% to \$1,209,000.
- At the end of the year the Village and DDA combined to issue a Capital Improvement Bond in the amount of \$2,500,000 and \$800,000 respectively for a total of \$3,300,000. The net interest rate for the fifteen-year bond was 3.82%. The Oxford Downtown Development Authority-DDA (formerly known as the Downtown Development Authority-OCDA) has pledged debt service payments for \$800,000 of the bond issue which is to be used for parking improvements. The Village of Oxford is pledging the debt service of the remaining \$2,500,000 bond issue amount, which is being used for street construction improvements, from major street and general fund revenues.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Village's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).



# VILLAGE OF OXFORD, MICHIGAN

## Management's Discussion and Analysis

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Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Village include general government, public safety, public works, highways and streets, recreation and culture, and community and economic development. The business-type activities of the Village include water distribution and sanitary sewer operations.

The government-wide financial statements include not only the Village of Oxford itself (known as the *primary government*), but also a legally separate downtown development authority known as the Downtown Development Authority, for which the Village is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself. The Building Authority, also legally separate, functions for all practical purposes as a department of the Village, and therefore has been included as an integral part of the primary government.

**Fund financial statements.** A *Fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds** are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Village maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General and Capital Projects funds, which are considered to be major funds. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* after the *Notes to Financial Statements*.

The Village adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets for the General, Major Streets and Local Streets funds.

# VILLAGE OF OXFORD, MICHIGAN

## Management's Discussion and Analysis

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**Proprietary funds.** The Village maintains two different types of proprietary funds: *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village uses enterprise funds to account for its water and sanitary sewer operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the Village's various functions. The Village uses an internal service fund to account for its motor equipment fleet. Because this service predominantly benefits governmental rather than business-type functions, it has been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sanitary sewer operations, both of which are considered to be major funds of the Village.

**Fiduciary funds.** The Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Village's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to a schedule concerning the Village's progress in funding its obligation to provide pension benefits to its employees.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.

### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Village of Oxford, assets exceeded liabilities by \$10,626,262 at the close of the most recent fiscal year.

A large portion of the Village's net assets (57%) reflects its investment in capital assets (e.g., land, buildings and improvements, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to residents; consequently, these assets are *not* available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

# VILLAGE OF OXFORD, MICHIGAN

## Management's Discussion and Analysis

### Village of Oxford's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 3,889,461	\$ 1,238,552	\$ 3,550,559	\$ 3,419,672	\$ 7,440,020	\$ 4,658,224
Capital assets, net	4,825,470	5,137,067	4,300,649	4,482,177	9,126,119	9,619,244
Total assets	8,714,931	6,375,619	7,851,208	7,901,849	16,566,139	14,277,468
Current liabilities	508,175	289,197	250,698	213,505	758,873	502,702
Noncurrent liabilities	2,682,977	385,982	2,498,027	2,603,476	5,181,004	2,989,458
Total liabilities	3,191,152	675,179	2,748,725	2,816,981	5,939,877	3,492,160
Net assets:						
Invested in capital assets, net of related debt	4,353,069	4,732,067	1,706,430	1,768,701	6,059,499	6,500,768
Restricted assets	646,319	582,896	4,517	278,997	650,836	861,893
Unrestricted	524,391	385,477	3,391,536	3,037,170	3,915,927	3,422,647
Total net assets	\$ 5,523,779	\$ 5,700,440	\$ 5,102,483	\$ 5,084,868	\$ 10,626,262	\$ 10,785,308

An additional portion of the Village's net assets (6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets*, 3,915,927 or 37%, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Village is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The Village's net assets decreased by \$(98,525) during the current fiscal year. This was due to net depreciation expense offset by several items as follows.

**Governmental activities.** Governmental activities decreased the Village's net assets by \$(176,661). Key elements of this are as follows:

- Increased personnel costs for compensated balances of \$7,000.
- Accrued interest of \$7,000 for a \$2,500,000 bond issued at the end of the year.
- Legal and litigation costs related to Village equity interests in a joint venture.
- For the most part increases in the rest of the expenses closely paralleled inflation and growth in the demand for services.

# VILLAGE OF OXFORD, MICHIGAN

## Management's Discussion and Analysis

### Village of Oxford's Changes in Net Assets

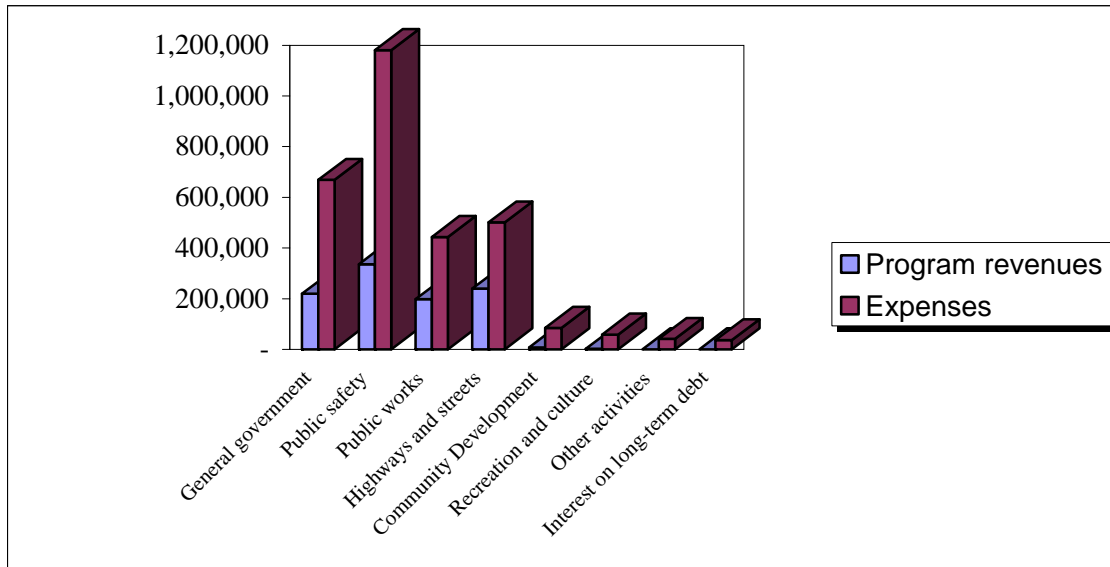
	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenue:						
Program revenues:						
Charges for services	\$ 306,017	\$ 360,261	\$ 1,267,955	\$ 1,234,978	\$ 1,573,972	\$ 1,595,239
Operating grants and contributions	694,160	713,520	2,070	1,328	696,230	714,848
Capital grants and contributions	3,106	4,870	36,613	38,564	39,719	43,434
General revenues:					-	-
Property taxes	1,500,732	1,433,639	-	-	1,500,732	1,433,639
State shared revenue	261,854	266,128	-	-	261,854	266,128
Grants and contributions not restricted to specific programs	21,894	12,598	20,800	14,300	42,694	26,898
Other	41,475	20,933	54,830	28,798	96,305	49,731
Total revenues	2,829,238	2,811,949	1,382,268	1,317,968	4,211,506	4,129,917
Expenses:						
General government	668,850	679,397	-	-	668,850	679,397
Public safety	1,181,080	1,132,391	-	-	1,181,080	1,132,391
Public works	443,577	423,127	-	-	443,577	423,127
Highways and streets	501,152	540,232	-	-	501,152	540,232
Recreation and culture	58,734	85,807	-	-	58,734	85,807
Community and economic development	84,993	100,636	-	-	84,993	100,636
Other activities	41,399	23,324	-	-	41,399	23,324
Interest on long-term debt	36,114	27,511	-	-	36,114	27,511
Sewage disposal system	-	-	560,185	517,544	560,185	517,544
Water supply system	-	-	733,947	780,137	733,947	780,137
Total expenses	3,015,899	3,012,425	1,294,132	1,297,681	4,310,031	4,310,106
Change in net assets before transfers	(186,661)	(200,476)	88,136	20,287	(98,525)	(180,189)
Transfers	10,000	10,000	(10,000)	(10,000)	-	-
Change in net assets	(176,661)	(190,476)	78,136	10,287	(98,525)	(180,189)
Net assets-beginning	5,700,440	5,890,916	5,024,347	5,074,581	10,724,787	10,965,497
Net assets-ending	\$ 5,523,779	\$ 5,700,440	\$ 5,102,483	\$ 5,084,868	\$ 10,626,262	\$ 10,785,308

# VILLAGE OF OXFORD, MICHIGAN

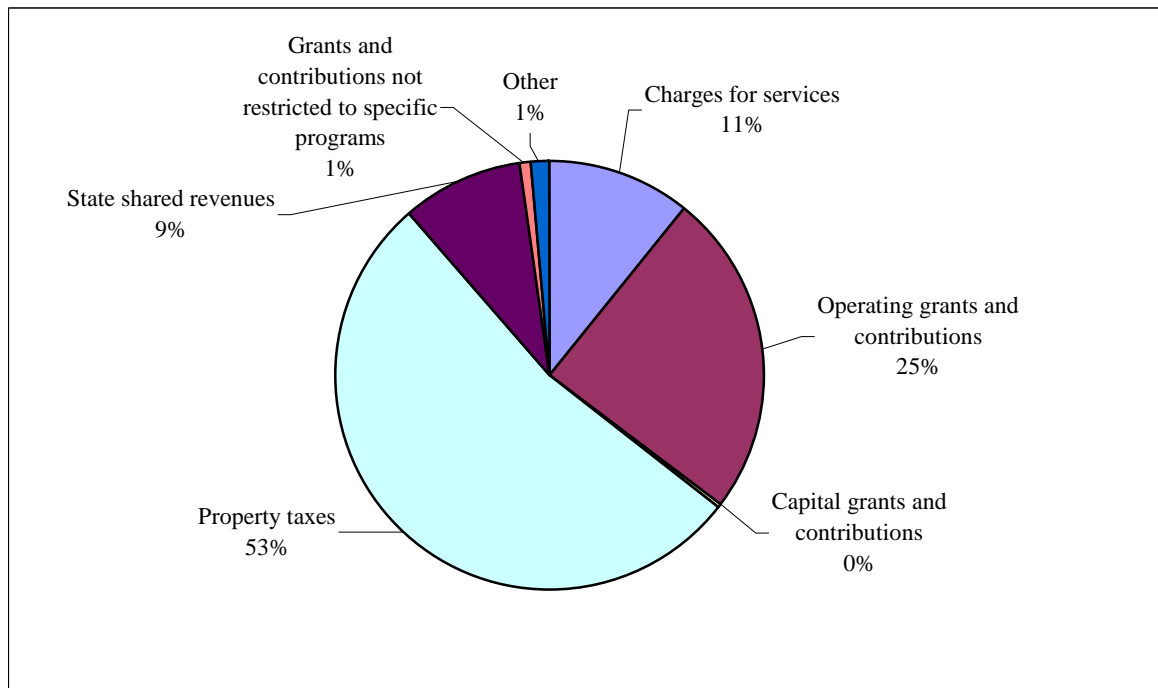
## Management's Discussion and Analysis

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### Expenses and Program Revenues – Governmental Activities



### Revenues by Source – Governmental Activities



# VILLAGE OF OXFORD, MICHIGAN

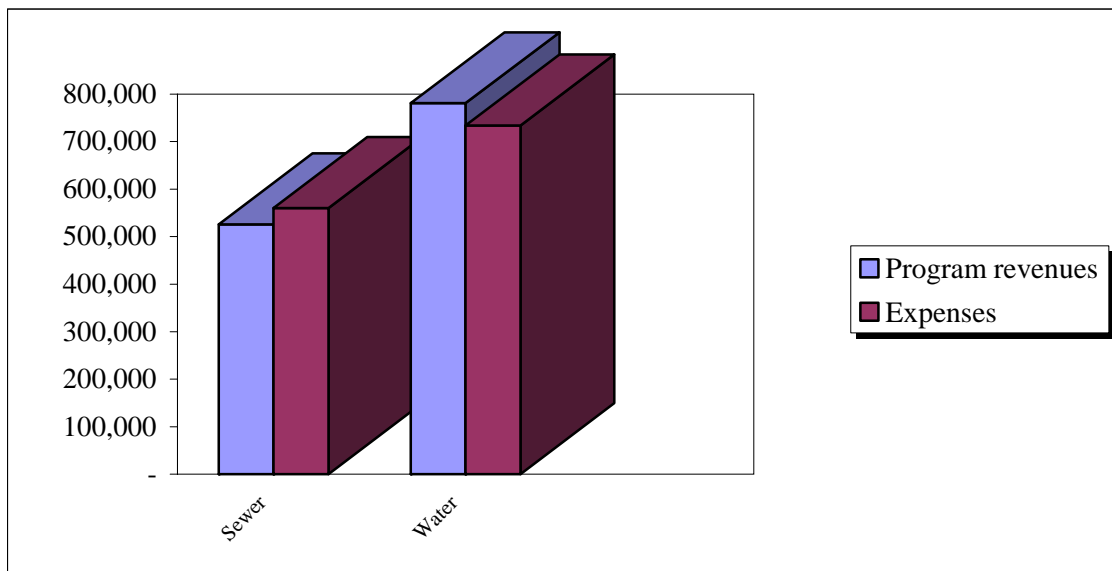
## Management's Discussion and Analysis

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**Business-type Activities.** Business-type activities increased the Village's net assets by \$78,136 , offsetting the Village's total decrease in net assets. Key elements of this increase are as follows:

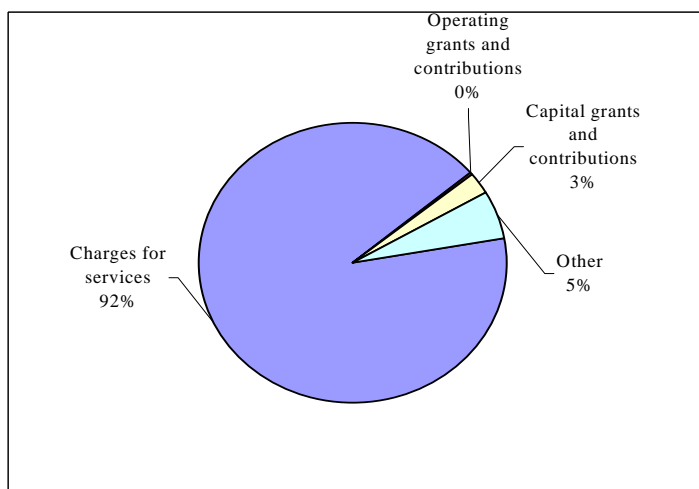
- Interest income increase of \$26,000 due to higher interest investment rates.
- Interest expense decreased by \$50,000.

### Expenses and Program Revenues - Business-Type Activities



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### Revenues by Sources – Business-Type Activities



# VILLAGE OF OXFORD, MICHIGAN

## Management's Discussion and Analysis

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### Financial Analysis of the Government's Funds

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the Village's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Village's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$3,784,918 , an increase of \$2,564,531 in comparison with the prior year. Approximately 91% of this total amount or \$3,457,905 constitutes *unreserved, undesignated fund balance*, which is available for spending at the government's discretion. Another 3% or \$95,636 is *unreserved, designated*. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to other purposes.

The general fund is the chief operating fund of the Village. At the end of the current fiscal year, *unreserved* fund balance of the general fund was \$699,620 , while total fund balance was \$841,000. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 32% of total general fund expenditures, while total fund balance represents 38% of the same amount.

The fund balance of the Village's general fund increased by \$118,509 during the current fiscal year. This is primarily attributable to the interest income increase of \$14,000; reduction in transfers out of \$105,000 that was previously made to the Municipal Street fund and reduced expense in legal fees, parks and planning fees.

**Proprietary funds.** The Village's proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

Unrestricted net assets of the Sewer Fund at the end of the year amounted to \$1,667,735 and the Water Fund amounted to \$1,436,751 . The decrease in Sewer Fund net assets was \$(22,289) and increase in Water Fund net assets amounted to \$59,003. Over the past several years, the fund balance of the Water and Sewer Fund has been maintained to provide for future maintenance needs of the system.

### General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were relatively minor. The increase in budgeted revenues of \$32,887 to \$2,374,758 and increase in budgeted expenditures of \$47,068 to \$2,428,405 can be briefly summarized as follows:

- The net increase to the revenue final budget was (1) \$25,000 decrease in taxes; (2) \$21,000 increase for building permits; (3) \$16,000 decrease in state grants; (4) \$30,000 decrease in waste collection fees; (5) \$26,000 increase for insurance reimbursements; (6) \$10,000 increase in cash investment earnings

## VILLAGE OF OXFORD, MICHIGAN

### Management's Discussion and Analysis

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- The net increase to the expenditure budget was: (1) increase of \$41,000 to the Clerk budget for a retirement payout and other personnel costs increases; (2) Buildings and grounds increase of \$49,000 for added services; and (3) Fire department charge increase of \$35,000.

#### Capital Asset and Debt Administration

**Capital assets.** The Village's investment in capital assets for its governmental and business-type activities as of June 30, 2005, amounted to \$9,126,119 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, vehicles, and roads, highways, and other infrastructure. The total decrease in the Village's investment in capital assets for the current fiscal year was \$(493,125) or -5% which represents a decrease in governmental activities of \$(311,597) or -6%, and a decrease in business-type activities of \$(181,528) or -4%.

There were no major capital asset events during the current fiscal year.

#### Village of Oxford's Capital Assets (net of depreciation)

	Governmental Activities	Business-Type Activities	Total
Land	\$ 468,448	\$ -	\$ 468,448
Construction in progress	125,943	-	125,943
Buildings and systems	950,140	4,230,081	5,180,221
Street lighting	23,504	-	23,504
Furniture and equipment	254,125	70,568	324,693
Vehicles	55,343	-	55,343
Infrastructure	2,947,967	-	2,947,967
Total	<u>\$ 4,825,470</u>	<u>\$ 4,300,649</u>	<u>\$ 9,126,119</u>

Further information regarding capital assets can be found in the notes to the financial statements.

**Long-term debt.** At the end of the current fiscal year, the Village had total bonded debt and notes outstanding of \$2,855,000 backed by the full faith and credit of the government. Its purpose is attributable in total to governmental activities. The remainder of the Villages debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).



# VILLAGE OF OXFORD, MICHIGAN

## Management's Discussion and Analysis

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### Village of Oxford's Outstanding Debt General Obligation Bonds and Notes

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Component Unit</b>
Capital Improvement bonds	\$ 2,500,000	\$ -	\$ 2,500,000	\$ 800,000
Building Authority bonds	215,000	-	215,000	-
Parking District bonds	120,000	-	120,000	-
Library note payable	20,000	-	20,000	-
Revenue bonds	-	1,179,219	1,179,219	-
DWRF bonds	-	1,415,000	1,415,000	-
	<u>\$ 2,855,000</u>	<u>\$ 2,594,219</u>	<u>\$ 5,449,219</u>	<u>\$ 800,000</u>

Total obligation debt increased by \$3,250,000 due to the issuance of \$3,300,000 in general obligation bonds for the parking improvement project and major streets reconstruction.

Further information regarding long-term debt can be found in the notes to the financial statements.

### Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the Village's budget for the 2005-06 fiscal year:

- Revenue limitations including property tax cap of 2.3%; flat state shared revenues over the past few years and slightly higher interest investment rates.
- Double digit increases in health insurance costs and general liability and property insurance premiums along with capital equipment needs of the police and public works department.
- Debt service of \$200,000 by the Village and Downtown Development Authority (DDA) for capital improvement bonds issued at the end of the year for a parking improvement project and major streets reconstruction.
- The Township voters approved a millage in May for fire service that takes effect January 1, 2006, which affects the future of the Oxford Public Fire and EMS Commission.

### Requests for Information

This financial report is designed to provide a general overview of the Village's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Village Manager, P.O. Box 94, 22 W. Burdick Street, Oxford, Michigan 48371.

***BASIC FINANCIAL  
STATEMENTS***

# VILLAGE OF OXFORD, MICHIGAN

## Statement of Net Assets

June 30, 2005

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Unit Downtown Development Authority</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 3,807,199	\$ 2,689,009	\$ 6,496,208	\$ 1,512,620
Receivables (net)	277,445	278,539	555,984	10,464
Internal balances	(357,049)	357,049	-	-
Due from component unit	2,963	-	2,963	-
Prepaid items and other assets	73,903	171,445	245,348	1,414
Temporarily restricted assets:				
Cash and cash equivalents	-	54,517	54,517	-
Escrow on land purchase	85,000	-	85,000	85,000
Capital assets not being depreciated	594,391	-	594,391	828,433
Capital assets being depreciated, net	4,231,079	4,300,649	8,531,728	-
<b>Total assets</b>	<b>8,714,931</b>	<b>7,851,208</b>	<b>16,566,139</b>	<b>2,437,931</b>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	124,490	84,418	208,908	14,060
Customer deposits	-	55,000	55,000	-
Due to primary government	-	-	-	2,963
Unearned revenue	140,000	2,579	142,579	-
Noncurrent liabilities:				
Due within one year	243,685	108,701	352,386	48,485
Due in more than one year	2,682,977	2,498,027	5,181,004	751,515
<b>Total liabilities</b>	<b>3,191,152</b>	<b>2,748,725</b>	<b>5,939,877</b>	<b>817,023</b>
<b>Net assets</b>				
Invested in capital assets, net of related debt	4,353,069	1,706,430	6,059,499	818,411
Restricted for:				
Debt service	87,900	4,517	92,417	-
Highways and streets	466,683	-	466,683	-
Other purposes	91,736	-	91,736	85,000
Unrestricted	524,391	3,391,536	3,915,927	717,497
<b>Total net assets</b>	<b>\$ 5,523,779</b>	<b>\$ 5,102,483</b>	<b>\$ 10,626,262</b>	<b>\$ 1,620,908</b>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF OXFORD, MICHIGAN**  
**Statement of Activities**  
**For the Year Ended June 30, 2005**

<b>Functions / Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
<b>Primary government:</b>					
Governmental activities:					
General government	\$ 668,850	\$ 9,913	\$ 209,679	\$ -	\$ (449,258)
Public safety	1,181,080	82,634	250,457	3,106	(844,883)
Public works	443,577	198,043	-	-	(245,534)
Highways and streets	501,152	12,985	226,492	-	(261,675)
Community and economic development	84,993	-	7,532	-	(77,461)
Recreation and culture	58,734	2,442	-	-	(56,292)
Other governmental activities	41,399	-	-	-	(41,399)
Interest on long-term debt	36,114	-	-	-	(36,114)
Total governmental activities	<u>3,015,899</u>	<u>306,017</u>	<u>694,160</u>	<u>3,106</u>	<u>(2,012,616)</u>
Business-type activities:					
Sewer	560,185	525,951	-	-	(34,234)
Water	733,947	742,004	2,070	36,613	46,740
Total business-type activities	<u>1,294,132</u>	<u>1,267,955</u>	<u>2,070</u>	<u>36,613</u>	<u>12,506</u>
Total primary government	<u>\$ 4,310,031</u>	<u>\$ 1,573,972</u>	<u>\$ 696,230</u>	<u>\$ 39,719</u>	<u>\$ (2,000,110)</u>
<b>Component unit:</b>					
Downtown development authority	<u>\$ 191,121</u>	<u>\$ -</u>	<u>\$ 54,722</u>	<u>\$ -</u>	<u>\$ (136,399)</u>

continued...

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF OXFORD, MICHIGAN**  
**Statement of Activities (Concluded)**  
**For the Year Ended June 30, 2005**

	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental</b>	<b>Business-type</b>		<b>Downtown</b>
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>	<b>Development</b>
				<b>Authority</b>
<b>Changes in net assets</b>				
Net (expense) revenue	\$ (2,012,616)	\$ 12,506	\$ (2,000,110)	\$ (136,399)
General revenues:				
Property taxes	1,500,732	-	1,500,732	319,848
State shared revenue	261,854	-	261,854	-
Grants and contributions not restricted to specific programs	21,894	20,800	42,694	-
Unrestricted investment earnings	41,475	54,830	96,305	13,913
Transfers - internal activities	10,000	(10,000)	-	-
Total general revenues and transfers	1,835,955	65,630	1,901,585	333,761
Change in net assets	(176,661)	78,136	(98,525)	197,362
Net assets, beginning of year, as restated	5,700,440	5,024,347	10,724,787	1,423,546
<b>Net assets, end of year</b>	<b>\$ 5,523,779</b>	<b>\$ 5,102,483</b>	<b>\$ 10,626,262</b>	<b>\$ 1,620,908</b>

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF OXFORD, MICHIGAN

## Balance Sheet Governmental Funds June 30, 2005

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 644,114	\$ 2,399,339	\$ 502,124	\$ 3,545,577
Receivables:				
Accounts receivable	54,320	-	-	54,320
Taxes-delinquent	34,592	-	-	34,592
Allowance for delinquent taxes	(11,103)	-	-	(11,103)
Special assessments	-	-	62,961	62,961
Due from component units	2,963	-	-	2,963
Due from other governments	87,927	-	48,748	136,675
Deposit - restricted for land acquisition	85,000	-	-	85,000
Prepaid items	56,380	-	15,426	71,806
	<u>\$ 954,193</u>	<u>\$ 2,399,339</u>	<u>\$ 629,259</u>	<u>\$ 3,982,791</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 81,554	\$ 16,740	\$ 4,979	\$ 103,273
Accrued liabilities	8,150	-	-	8,150
Deferred revenue	23,489	-	62,961	86,450
Total liabilities	<u>113,193</u>	<u>16,740</u>	<u>67,940</u>	<u>197,873</u>
<b>Fund balances:</b>				
Reserved for:				
Debt service	-	-	74,571	74,571
Prepays and deposits	141,380	-	15,426	156,806
Unreserved:				
Designated for subsequent expenditures	39,439	-	34,763	74,202
Designated for Metamora Landfill	21,434	-	-	21,434
Undesignated reported in:				
General fund	638,747	-	-	638,747
Special revenue funds	-	-	436,559	436,559
Capital projects	-	2,382,599	-	2,382,599
Total fund balances	<u>841,000</u>	<u>2,382,599</u>	<u>561,319</u>	<u>3,784,918</u>
	<u>\$ 954,193</u>	<u>\$ 2,399,339</u>	<u>\$ 629,259</u>	<u>\$ 3,982,791</u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF OXFORD, MICHIGAN**  
**Reconciliation of Fund Balances on the Balance Sheet**  
**for Governmental Funds to Net Assets of**  
**Governmental Activities on the Statement of Net Assets**  
**June 30, 2005**

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Fund balances - total governmental funds	\$ 3,784,918
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add: capital assets	9,769,229
Deduct: accumulated depreciation	(5,691,653)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.

Add: deferred personal property taxes and special assessments	86,450
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An internal service fund is used by management to charge the costs of certain equipment usage to individual funds. A portion of the assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.

Add: net assets of governmental activities accounted for in the internal service fund	513,341
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Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct: bonds payable	(2,835,000)
Deduct: notes payable	(20,000)
Deduct: accrued interest payable	(11,844)
Deduct: compensated absences	(71,662)

Net assets of governmental activities	<u><u>\$ 5,523,779</u></u>
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The accompanying notes are an integral part of these financial statements.

**VILLAGE OF OXFORD, MICHIGAN**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2005**

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Property taxes	\$ 1,495,148	\$ -	\$ 10,162	\$ 1,505,310
Licenses and permits	47,884	-	-	47,884
Intergovernmental	335,365	-	226,492	561,857
Charges for services	220,652	-	-	220,652
Fines and forfeitures	24,019	-	-	24,019
Investment earnings	20,755	8,542	13,274	42,571
Other	232,753	-	12,985	245,738
Total revenues	<u>2,376,576</u>	<u>8,542</u>	<u>262,913</u>	<u>2,648,031</u>
<b>Expenditures</b>				
Current:				
General government	601,065	-	-	601,065
Public safety	972,576	-	-	972,576
Public works	461,220	-	-	461,220
Highways and streets	-	-	188,000	188,000
Community and economic development	76,761	-	-	76,761
Recreation and culture	32,887	-	-	32,887
Other functions	41,399	-	-	41,399
Capital Outlay	21,213	125,943	-	147,156
Debt service:				
Principal	10,000	-	40,000	50,000
Interest and fiscal charges	900	-	23,935	24,835
Total expenditures	<u>2,218,021</u>	<u>125,943</u>	<u>251,935</u>	<u>2,595,899</u>
Revenues over (under) expenditures	<u>158,555</u>	<u>(117,401)</u>	<u>10,978</u>	<u>52,132</u>
<b>Other financing sources (uses)</b>				
Proceeds from bond issuance	-	2,500,000	-	2,500,000
Sale of capital assets	2,399	-	-	2,399
Transfers in	10,000	-	140,192	150,192
Transfers out	(52,445)	-	(87,747)	(140,192)
Total other financing sources (uses)	<u>(40,046)</u>	<u>2,500,000</u>	<u>52,445</u>	<u>2,512,399</u>
Net change in fund balances	118,509	2,382,599	63,423	2,564,531
Fund balances, beginning of year	<u>722,491</u>	<u>-</u>	<u>497,896</u>	<u>1,220,387</u>
<b>Fund balances, end of year</b>	<u><u>\$ 841,000</u></u>	<u><u>\$ 2,382,599</u></u>	<u><u>\$ 561,319</u></u>	<u><u>\$ 3,784,918</u></u>

The accompanying notes are an integral part of these financial statements.



**VILLAGE OF OXFORD, MICHIGAN**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Change in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2005**

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Net change in fund balances - total governmental funds \$ 2,564,531

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay	147,156
Deduct: depreciation expense	(462,378)
Deduct: net book value of disposed assets	(3,314)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.

Deduct: net difference in deferred revenue	(5,674)
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Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Deduct: Bond proceeds	(2,500,000)
Add: principal payments on long-term liabilities	50,000

An internal service fund is used by management to charge the costs of certain equipment usage to individual funds. A portion of the net revenue (expense) of the internal service fund attributable to those funds is reported with governmental activities.

Add: net income from governmental activities in the internal service fund	46,303
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Less: increase in accrued interest payable	(6,119)
Deduct: increase in the accrual for compensated absences	(7,166)

Change in net assets of governmental activities	<u><u>\$ (176,661)</u></u>
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The accompanying notes are an integral part of these financial statements.

**VILLAGE OF OXFORD, MICHIGAN**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2005**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Taxes	\$ 1,508,547	\$ 1,483,093	\$ 1,495,148	\$ 12,055
Licenses and permits	25,190	46,864	47,884	1,020
Intergovernmental:				-
Federal grants	2,000	7,532	15,784	8,252
State grants	292,338	276,740	268,299	(8,441)
Local reimbursements	51,156	51,282	51,282	-
Charges for services	235,956	218,941	220,652	1,711
Fines and forfeitures	20,000	24,091	24,019	(72)
Investment earnings	9,050	20,867	20,755	(112)
Other	185,634	232,949	232,753	(196)
Total revenues	<u>2,329,871</u>	<u>2,362,359</u>	<u>2,376,576</u>	<u>14,217</u>
<b>Expenditures</b>				
General government:				
Council	10,838	12,691	11,650	1,041
Manager	95,124	98,489	94,758	3,731
Elections	1,400	-	-	-
Attorney	81,000	81,000	59,735	21,265
Clerk	221,277	262,725	267,861	(5,136)
Treasurer	70,566	73,435	67,604	5,831
Building & Grounds	54,782	104,421	96,475	7,946
Appeals fees	650	260	240	20
Beautification committee	1,595	2,742	2,742	-
Total general government	<u>537,232</u>	<u>635,763</u>	<u>601,065</u>	<u>34,698</u>
Public safety:				
Police	515,416	523,529	520,566	2,963
Fire	158,745	193,908	206,566	(12,658)
911 and Communications	241,202	251,885	230,600	21,285
Building inspection	5,100	14,883	14,844	39
Total public safety	<u>920,463</u>	<u>984,205</u>	<u>972,576</u>	<u>11,629</u>
Public works:				
Department of public works	224,512	231,005	214,587	16,418
Light poles	40,400	40,400	39,022	1,378
Engineering fees	4,000	4,000	3,206	794
Rubbish contracts	221,166	205,845	204,405	1,440
Total public works	<u>490,078</u>	<u>481,250</u>	<u>461,220</u>	<u>20,030</u>

Continued....

**VILLAGE OF OXFORD, MICHIGAN**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2005**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Concluded....				
Community and economic development:				
Planning & building department	\$ 57,034	\$ 60,219	\$ 45,427	\$ 14,792
Planning fees	21,000	19,946	15,874	4,072
Public relations	13,700	16,689	15,460	1,229
Total community and economic development	91,734	96,854	76,761	20,093
Recreation and culture:				
Parks	47,201	47,201	32,887	14,314
Other functions:				
Insurance	23,884	23,871	23,871	-
Other	142,325	58,320	17,528	40,792
Total other functions	166,209	82,191	41,399	40,792
Capital Outlay	70,800	37,595	21,213	16,382
Debt service:				
Principal	10,000	10,000	10,000	-
Interest	900	900	900	-
Total debt service	10,900	10,900	10,900	-
Total expenditures	2,334,617	2,375,959	2,218,021	157,938
Revenues over (under) expenditures	(4,746)	(13,600)	158,555	(172,155)
<b>Other financing sources (uses)</b>				
Sale of capital assets	2,000	2,399	2,399	-
Transfers in	10,000	10,000	10,000	-
Transfers out	(46,720)	(52,446)	(52,445)	1
Total other financing (uses)	(34,720)	(40,047)	(40,046)	(1)
Net change in fund balances	(39,466)	(53,647)	118,509	(172,156)
Fund balance, beginning of year	722,491	722,491	722,491	-
<b>Fund balance, end of year</b>	<u>\$ 683,025</u>	<u>\$ 668,844</u>	<u>\$ 841,000</u>	<u>\$ (172,156)</u>

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF OXFORD, MICHIGAN

## Statement of Net Assets

### Proprietary Funds

June 30, 2005

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental Activities</b>
	<b>Sewer</b>	<b>Water</b>	<b>Total</b>	<b>Vehicle and Equipment Internal Service Fund</b>
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 1,480,094	\$ 1,208,915	\$ 2,689,009	\$ 261,622
Accounts receivable	114,405	161,421	275,826	-
Due from other governments	-	2,713	2,713	-
Due from other funds	-	1,399	1,399	-
Prepaid expenses	72,097	99,348	171,445	2,097
Total current assets	<u>1,666,596</u>	<u>1,473,796</u>	<u>3,140,392</u>	<u>263,719</u>
Noncurrent assets:				
Restricted cash, cash equivalents and investments:				
Cash and cash equivalents with the County	-	-	-	-
Restricted cash and cash equivalents	-	54,517	54,517	-
Investments	-	-	-	-
Total restricted assets	<u>-</u>	<u>54,517</u>	<u>54,517</u>	<u>-</u>
Advances to other funds	70,000	-	70,000	-
Capital assets being depreciated, net	818,143	3,482,506	4,300,649	747,894
Total noncurrent assets	<u>888,143</u>	<u>3,537,023</u>	<u>4,425,166</u>	<u>747,894</u>
Total assets	<u>2,554,739</u>	<u>5,010,819</u>	<u>7,565,558</u>	<u>1,011,613</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	64,806	10,822	75,628	1,223
Due to other funds	1,399	-	1,399	-
Advances payable - current portion	-	-	-	-
Total current liabilities	<u>66,205</u>	<u>10,822</u>	<u>77,027</u>	<u>1,223</u>
Current liabilities payable from restricted assets:				
Restricted deposit	-	55,000	55,000	-
Accrued interest	-	8,790	8,790	-
Bonds payable - current portion	-	110,000	110,000	-
Total current liabilities payable from restricted assets	<u>-</u>	<u>173,790</u>	<u>173,790</u>	<u>-</u>
Noncurrent liabilities:				
Charges received in advance	-	2,579	2,579	140,000
Accrued compensated absences	2,656	9,854	12,510	-
Bonds payable - net of current portion and unamortized bond discount of \$22,077	-	2,484,218	2,484,218	-
Advances from other funds	-	-	-	70,000
Total noncurrent liabilities	<u>2,656</u>	<u>2,496,651</u>	<u>2,499,307</u>	<u>210,000</u>
Total liabilities	<u>68,861</u>	<u>2,681,263</u>	<u>2,750,124</u>	<u>211,223</u>
<b>Net Assets</b>				
Investment in capital assets, net of related debt	818,143	888,288	1,706,431	747,894
Restricted for system replacement	-	-	-	-
Restricted for bond redemption	-	4,517	4,517	-
Unrestricted	<u>1,667,735</u>	<u>1,436,751</u>	<u>3,104,486</u>	<u>52,496</u>
Total net assets	<u>\$ 2,485,878</u>	<u>\$ 2,329,556</u>	<u>4,815,434</u>	<u>\$ 800,390</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			287,049	
Net assets of business type activities			<u>\$ 5,102,483</u>	

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF OXFORD, MICHIGAN**  
**Statement of Revenues, Expenses**  
**and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2005**

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental Activities</b>
	<b>Sewer</b>	<b>Water</b>	<b>Total</b>	<b>Motor Pool Internal Service Fund</b>
<b>Operating revenues</b>				
Charges for services	\$ 525,256	\$ 775,847	\$ 1,301,103	\$ 241,607
Miscellaneous fees	20,800	-	20,800	-
Other	695	4,840	5,535	304
Total operating revenues	546,751	780,687	1,327,438	241,911
<b>Operating expenses</b>				
Personal services	39,635	209,968	249,603	50,918
Professional services	285,670	4,436	290,106	569
Supplies	5,835	51,873	57,708	11,571
Contractual services	-	59,596	59,596	5,645
Repairs and maintenance	-	1,548	1,548	11,196
Equipment rental	64,600	64,600	129,200	-
Insurance	17,716	14,892	32,608	7,680
Utilities	-	30,055	30,055	-
Depreciation	96,891	136,628	233,519	67,624
Administration	70,096	70,096	140,192	-
Other	453	2,407	2,860	535
Total operating expenses	580,896	646,099	1,226,995	155,738
Operating income (loss)	(34,145)	134,588	100,443	86,173
<b>Non-operating revenues (expenses)</b>				
Interest income	31,856	22,974	54,830	3,952
Interest expense	-	(108,559)	(108,559)	(2,400)
Total non-operating revenues (expenses)	31,856	(85,585)	(53,729)	1,552
Income (loss) before transfers	(2,289)	49,003	46,714	87,725
Transfers in	-	15,000	15,000	-
Transfers out	(20,000)	(5,000)	(25,000)	-
Change in net assets	(22,289)	59,003	36,714	87,725
Net assets, beginning of year, as restated	2,508,167	2,270,553		712,665
<b>Net assets, end of year</b>	<b>\$ 2,485,878</b>	<b>\$ 2,329,556</b>		<b>\$ 800,390</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			41,422	
Change in net assets of business-type activities			<u>\$ 78,136</u>	

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF OXFORD, MICHIGAN**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2005**

				<b>Governmental Activities</b>
				<b>Motor Pool Internal Service Fund</b>
	<b>Sewer</b>	<b>Water</b>	<b>Total</b>	
<b>Cash flows from operating activities</b>				
Cash received from customers and others	\$ 539,782	\$ 744,338	1,284,120	\$ -
Cash received from interfund services	10,000	2,401	12,401	252,181
Cash payments to employees	(13,714)	(139,779)	(153,493)	(23,206)
Cash payments to suppliers for goods and services	(386,291)	(278,809)	(665,100)	(93,965)
Cash payments for interfund services	(72,497)	(70,096)	(142,593)	-
Net cash provided by operating activities	77,280	258,055	335,335	135,010
<b>Cash flows from investing activities</b>				
Investment income	31,856	22,974	54,830	3,952
<b>Cash flows from capital and related financing activities</b>				
Purchase of capital assets	(8,250)	(43,741)	(51,991)	(74,562)
Bond/note principal payments	-	(108,702)	(108,702)	-
Bond/note interest payments	-	(108,559)	(108,559)	(2,400)
Net cash (used) by capital and related financing activities	(8,250)	(261,002)	(269,252)	(76,962)
<b>Cash flows from non-capital financing activities</b>				
Transfers in	-	15,000	15,000	-
Transfers out	(20,000)	(5,000)	(25,000)	-
Net cash provided (used) by non-capital financing activities	(20,000)	10,000	(10,000)	-
Net increase (decrease) in cash and cash equivalents	80,886	30,027	110,913	62,000
Cash and cash equivalents, beginning of year	1,399,208	1,233,405	2,632,613	199,622
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,480,094</b>	<b>\$ 1,263,432</b>	<b>\$ 2,743,526</b>	<b>\$ 261,622</b>

Continued...

**VILLAGE OF OXFORD, MICHIGAN**  
**Statement of Cash Flows (Concluded)**  
**Proprietary Funds**  
**For the Year Ended June 30, 2005**

				<b>Governmental Activities</b>
				<b>Vehicle and Equipment</b>
				<b>Internal Service Fund</b>
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>				
Operating income (loss)	\$ (34,145)	\$ 134,588	\$ 100,443	\$ 86,173
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	96,891	136,628	233,519	67,624
Changes in assets and liabilities:				
Accounts receivable - customers	(6,969)	(33,636)	(40,605)	-
Due from other governments	-	(2,713)	(2,713)	-
Due from other funds	-	2,401	2,401	10,270
Prepaid items	9,593	45,173	54,766	(280)
Advances to other funds	10,000	-	10,000	-
Accounts payable	4,188	10,382	14,570	1,223
Due to other funds	(2,401)	-	(2,401)	-
Restricted deposits payable	-	-	-	-
Accrued liabilities	-	(36,599)	(36,599)	-
Charges received in advance	-	-	-	(20,000)
Accrued compensated absences	123	1,831	1,954	-
Advances from other funds	-	-	-	(10,000)
<b>Net cash provided by operating activities</b>	<u>\$ 77,280</u>	<u>\$ 258,055</u>	<u>\$ 335,335</u>	<u>\$ 135,010</u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF OXFORD, MICHIGAN**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Fund**  
**June 30, 2005**

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	<b>Agency Fund</b>
<b>Assets</b>	
Cash and cash equivalents	\$     88,142
Due from other governments	<u>          2,782</u>
 Total assets	 <u><u>\$     90,924</u></u>
 <b>Liabilities</b>	
Accounts payable	\$       4,030
Accrued liabilities	22,131
Performance bonds	<u>         64,763</u>
 Total liabilities	 <u><u>\$     90,924</u></u>

The accompanying notes are an integral part of these financial statements.



# VILLAGE OF OXFORD, MICHIGAN

## Notes To Financial Statements

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

The Village of Oxford, Michigan (the “Village” or “government”) is a municipal corporation governed by an elected five-member council and an appointed Village Manager. The accompanying financial statements present the Village (the primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are in substance, part of the government’s operations. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

##### **Blended component unit**

***Building Authority.*** The members of the governing board of the Oxford Building Authority are appointed by the Village Council. The budgets and expenditures of the Building Authority are approved by the Village Council. For financial reporting purposes, the Building Authority is reported as if it were part of the Village’s operation because the Village has the ability to significantly influence operations, and the Building Authority’s sole purpose is to serve the Village. Complete financial statements of the Building Authority are not prepared.

##### **Discretely presented component unit**

***Downtown Development Authority.*** The component unit column in the combined financial statements include the financial data of the Village’s discretely presented component unit, the Downtown Development Authority (the “Authority”). The discretely presented component unit is reported in a separate column to emphasize it is legally separate from the Village. The members of the governing board of the Authority are appointed by the Village Board. The budgets and expenditures of the Authority must be approved by the Village Board. Complete financial statements of the Downtown Development Authority can be obtained at the Village’s administrative offices.

#### B. Basis of Presentation - Government-Wide and Fund Financial Statements

***Government-wide financial statements.*** The statements of net assets and activities report information on all of the non-fiduciary activities of the primary government (the Village) and its component unit. For the most part, eliminations have been made to remove the effect of double-counting inter-fund activities. These statements distinguish between the Village’s *governmental* and *business-type activities*. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities rely to a significant extent on fees and charges for services. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

# VILLAGE OF OXFORD, MICHIGAN

## Notes To Financial Statements

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The statement of activities demonstrates the degree to which direct expenses are offset by program revenues for the different business-type activities of the Village and for each function of the Village's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable with a particular function or segment. Program revenues include (1) fees, fines and charges paid by the recipients of goods or services offered by the programs and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including taxes and other items, are presented as general revenues.

***Fund financial statements.*** The fund financial statements report in separate statements, information for governmental, proprietary and fiduciary funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

***Government-wide, proprietary and fiduciary fund financial statements.*** The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Village's enterprise funds and internal services fund are charges to customers for sales and services. Operating expenses for enterprise funds and the internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Non-exchange transactions, in which the Village gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

***Governmental fund financial statements.*** Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Village generally considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. The exception to this relates to state shared revenues that are considered available

# VILLAGE OF OXFORD, MICHIGAN

## Notes To Financial Statements

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if they are collected within ninety days after year-end. Property taxes, franchise taxes, intergovernmental revenues, licenses and interest are considered to be susceptible to accrual.

Expenditures generally are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases, if any, are reported as other financing sources.

The Village reports the following major governmental funds:

*General fund.* This is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

*Capital projects fund.* This fund accounts for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds).

The Village reports the following major proprietary funds:

*Sewer fund.* This fund accounts for the activities of the sewage disposal and sewage treatment system.

*Water fund.* This fund accounts for the activities of the Village's water distribution and water treatment system.

Additionally, the Village reports the following fund types:

*Special revenue funds.* These funds account for revenue sources that are legally restricted to expenditures for specific purposes not including major capital projects.

*Debt service funds.* These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

*Internal service fund.* This fund accounts for operations that provide services to other departments or agencies of the Village. The Village maintains one internal service fund, the Motor Equipment Fund.

*Agency fund.* This fund accounts for assets held for other governments in an agency capacity.

Both the government-wide and proprietary fund financial statements of the Village follow private-sector standards of accounting and financial reporting issued prior to December 1, 1989, unless those standards conflict with guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their

# VILLAGE OF OXFORD, MICHIGAN

## Notes To Financial Statements

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business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payment-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Under the terms of grant agreements, the Village funds certain programs by a combination of specific cost-reimbursement grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Village's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

### **D. Assets, Liabilities and Equity**

#### ***Deposits and investments***

The Village maintains an investment pool for all Village funds. Each fund's portion of the investment pool is displayed on the statement of net assets/balance sheet as "cash and cash equivalents".

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

Investments are stated at fair value. Short-term investments are reported at cost, which approximates fair value.

#### ***Receivables and payables***

All trade and delinquent property tax receivables are shown net of an allowance for uncollectibles, as applicable.

All outstanding balances between funds are reported as *due to/from other funds*. Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statements as *internal balances*.

# VILLAGE OF OXFORD, MICHIGAN

## Notes To Financial Statements

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### *Inventories, prepaid items and other assets*

All inventories are valued at cost using the first-in/first-out method. Generally, inventories of governmental funds are recorded as expenditures when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

### *Restricted assets*

Certain proceeds of the Village's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

### *Capital assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

In the case of the initial capitalization of general infrastructure assets (i.e. those reported by the governmental activities) the government chose to include all such items regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e. estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Actual historical cost was used as available. As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the government values these capital assets at the estimated fair value of the item at the date of its donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

# VILLAGE OF OXFORD, MICHIGAN

## Notes To Financial Statements

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Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Land improvements	5-25
Buildings and building improvements	5-25
Public domain infrastructure	15-25
Water and wastewater system infrastructure	10-40
Vehicles	2-10
Office equipment	5-10
Machinery and equipment	5-10

### *Compensated absences*

It is the government's policy to permit employees to accumulate earned but unused sick and compensatory time benefits, subject to certain limitations. All sick time pay is accrued at 50 percent of earned and unused leave hours in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

### *Long-term obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### *Fund equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Fund balance designations represent tentative management plans that are subject to change.

# VILLAGE OF OXFORD, MICHIGAN

## Notes To Financial Statements

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### II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at year-end, except for those approved by the Village Council for carry forward. The legal level of budgetary control is the activity level for the general fund and the fund level for special revenue funds.

The Village Council requires the Village Manager to submit an estimate of revenues and anticipated expenditures for the succeeding fiscal year in June. The Village Manager is then authorized to assign and transfer budget amounts within each fund to the extent that the net total fund appropriation (which the Village defines as gross authorized expenditures less related revenues that are specifically designated to fund those activities) is not exceeded. Village Council approval is required for any budgetary changes that result in an increase to net appropriations.

Formal budgetary integration is employed as a management control during the year. Supplemental appropriations were approved by the Village Council in the form of budget amendment resolutions or as part of special authorizing motions for grants, bonds or notes, the total of which was not significant in relation to the original budget appropriation valuations.

#### B. Excess of Expenditures Over Appropriations

State statutes provide that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended June 30, 2005, the Village incurred expenditures in excess of the amounts appropriated as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
General government			
Clerk	\$ 262725	\$ 267861	\$ 5136
Public safety			
Fire	193908	206566	12658

# VILLAGE OF OXFORD, MICHIGAN

## Notes To Financial Statements

### III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

#### A. Deposits and Investments

A reconciliation of cash and investments as shown on the Statement of Net Assets and Statement of Fiduciary Net Assets follows:

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Total</u>
<b>Statement of Net Assets</b>			
Cash and cash equivalents	\$ 6,496,208	\$ 1,512,620	\$ 8,008,828
Temporarily restricted cash and cash equivalents	54,517	-	54,517
<b>Statement of Fiduciary Net Assets</b>			
Cash and cash equivalents	88,142	-	88,142
<b>Total</b>	<u>\$ 6,638,867</u>	<u>\$ 1,512,620</u>	<u>\$ 8,151,487</u>

These balances are disclosed in the notes as follows:

Bank deposits (checking accounts, savings accounts and CDs)	\$ 8,157,287
Cash on hand	200
<b>Total</b>	<u>\$ 8,157,487</u>

#### Investments

The Village is authorized by the City Council, in accordance with State law, to invest surplus funds in the following:

- ◆ Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- ◆ Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- ◆ Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- ◆ Banker's acceptances of United States banks.
- ◆ Obligations of the State of Michigan and its political subdivisions that, at the time of purchase, are rated as investment grade by at least one standard rating service.
- ◆ Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- ◆ External investment pools as authorized by Public Act 20 as amended through December 31, 1997.



# VILLAGE OF OXFORD, MICHIGAN

## Notes To Financial Statements

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As of year-end, the Village had no investments.

### **Investment and deposit risk**

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list of investments above. The Village's investment policy does not have specific limits in excess of State law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk.* State law limits investments to specific government securities, certificates of deposit and bank accounts with qualified institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The Village's investment policy does not have specific limits in excess of state law on investment credit risk. The Village held no investments as of year-end.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned. State law does not require and the Village does not have a policy for deposit custodial credit risk. As of year-end, \$8,184,132 of the \$8,284,132 bank balance was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial Credit Risk – Investments.* For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Village does not have a policy for investment custodial credit risk. The Village held no investments as of year-end.

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The Village's investment policy does not have specific limits in excess of State law on concentration of credit risk. No investments were held at year-end.

### **B. Receivables**

Receivables in the governmental activities are 49.26 percent due from other governments, 19.58 percent accounts receivables and 31.16 percent taxes and special assessments. Business-type activities receivables are 99.03 percent due from customers, and 0.97 percent due from other governments.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the deferred revenue was one hundred percent made

# VILLAGE OF OXFORD, MICHIGAN

## Notes To Financial Statements

up of unavailable funds related to personal property taxes and special assessments that have been earned, but not yet received.

### C. Capital Assets

Capital assets activity for the year ended June 30, 2005 was as follows:

#### *Primary government*

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets, not being depreciated -				
Land	\$ 468,448	\$ -	\$ -	\$ 468,448
Construction in Progress	-	125,943	-	125,943
Total assets, not being depreciated	468,448	125,943	-	594,391
Capital assets being depreciated				
Buildings and Improvements	1,496,475	-	-	1,496,475
Street lighting	70,550	-	-	70,550
Office furnishings and equipment	1,216,273	74,562	-	1,290,835
Vehicles	79,698	21,213	(10,240)	90,671
Infrastructure	7,794,585	-	-	7,794,585
Total capital assets being depreciated	10,657,581	95,775	(10,240)	10,743,116
Less accumulated depreciation for				
Buildings and improvements	(487,917)	(58,418)	-	(546,335)
Street lighting	(42,343)	(4,703)	-	(47,046)
Office furnishings and equipment	(918,138)	(118,572)	-	(1,036,710)
Vehicles	(30,966)	(11,288)	6,926	(35,328)
Infrastructure	(4,509,598)	(337,020)	-	(4,846,618)
Total accumulated depreciation	(5,988,961)	(530,001)	6,926	(6,512,037)
Total capital assets being depreciated, net	4,668,620	(434,226)	(3,314)	4,231,079
Governmental activities capital assets, net	\$ 5,137,068	\$ (308,283)	\$ (3,314)	\$ 4,825,470

# VILLAGE OF OXFORD, MICHIGAN

## Notes To Financial Statements

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities</b>				
Capital assets, being depreciated:				
Land improvements	\$ 34,727	\$ -	\$ -	\$ 34,727
Buildings and improvements	286,414	-	-	286,414
Office furnishing and equipment	22,154	-	-	22,154
Water supply system improvements	4,497,503	-	-	4,497,503
Village lateral lines	2,650,000	-	-	2,650,000
Paint Creek interceptor	1,137,457	-	-	1,137,457
Machinery and equipment	240,898	51,991	-	292,889
Total capital assets being depreciated	8,869,153	51,991	-	8,921,144
Less accumulated depreciation for				
Land improvements	(25,293)	(626)	-	(25,919)
Buildings and improvements	(177,855)	(7,162)	-	(185,017)
Office furnishings and equipment	(20,684)	(1,470)	-	(22,154)
Water supply system improvements	(1,070,000)	(112,441)	-	(1,182,441)
Village lateral lines	(2,020,625)	(66,250)	-	(2,086,875)
Paint Creek interceptor	(867,332)	(28,436)	-	(895,768)
Machinery and equipment	(205,187)	(17,134)	-	(222,321)
Total accumulated depreciation	(4,386,976)	(233,519)	-	(4,620,495)
Business-type activities capital assets, net	\$ 4,482,177	\$ (181,528)	\$ -	\$ 4,300,649

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities	
General government	\$ 68,239
Public safety	22,922
Public works	9,308
Highways and streets	337,020
Community and economic development	10,553
Recreation and culture	14,335
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	67,624
Total depreciation expense - governmental activities	\$ 530,001

# VILLAGE OF OXFORD, MICHIGAN

## Notes To Financial Statements

Business-type activities

Water fund

Sewer fund

\$ 136,628

96,891

\$ 233,519

### Discretely presented component unit

Activity for the Downtown Development Authority for the year ended June 20, 2005, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 808,411	\$ -	\$ -	\$ 808,411
Construction in Progress	-	20,022	-	20,022
Total of assets, not being depreciated	<u>\$ 808,411</u>	<u>\$ 20,022</u>	<u>\$ -</u>	<u>\$ 828,433</u>
Capital assets, being depreciated		-		
Street lighting	24,255	-	-	24,255
Equipment	<u>17,314</u>	<u>-</u>	<u>-</u>	<u>17,314</u>
Total capital assets being depreciated	<u>41,569</u>	<u>-</u>	<u>-</u>	<u>41,569</u>
Less accumulated depreciation for				
Street lighting	(24,255)	-	-	(24,255)
Equipment	<u>(17,314)</u>	<u>-</u>	<u>-</u>	<u>(17,314)</u>
Total accumulated depreciation	<u>(41,569)</u>	<u>-</u>	<u>-</u>	<u>(41,569)</u>
Total capital assets being depreciated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Component unit activity capital assets, net	<u>\$ 808,411</u>	<u>\$ 20,022</u>	<u>\$ -</u>	<u>\$ 828,433</u>

# VILLAGE OF OXFORD, MICHIGAN

## Notes To Financial Statements

### D. Interfund Receivables, Payables and Transfers

The following are the interfund receivables and payables balances at June 30, 2005:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
Proprietary Funds		
Water Fund	Sewer Fund	\$ 1,399
		<u>\$ 1,399</u>

Generally, outstanding balances between funds reported as “due to/from other funds” include outstanding charges by one fund to another for services or goods, subsidy commitments outstanding at year-end, and other miscellaneous receivables/payables between funds.

Additionally, there is an advance from the Sewer Fund to the Vehicle and Equipment Fund for \$70,000, which was used by the Vehicle and Equipment Fund to construct a new building in 2002.

For the year then ended, interfund transfers consisted of the following:

<u>Transfers out</u>	<u>Transfer In</u>		
	<u>General</u>	<u>Non-Major Governmental Funds</u>	<u>Water</u>
General	\$ -	\$ 52,445	\$ -
Non-Major Governmental Funds	-	87,747	-
Sewer	5,000	-	15,000
Water	5,000	-	-
Total	<u>\$ 10,000</u>	<u>\$ 140,192</u>	<u>\$ 15,000</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

# VILLAGE OF OXFORD, MICHIGAN

## Notes To Financial Statements

### E. Long-term Debt

*General obligation bonds.* The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities.

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
<b>Governmental activities</b>		
Series 2005 Capital Improvement Bonds	2.95-4.15%	\$ 2,500,000
Series 1990 Building Authority Bonds	6.8%-7.0%	215,000
Parking District #4 Bonds	4.4%-5.65%	120,000
Oxford Library Notes Payable	3.0%	20,000
		<u>\$ 2,855,000</u>
	<u>Interest Rate</u>	<u>Amount</u>
<b>Business-type activities</b>		
1996 Water Revenue Bonds, net of \$22,077 unamortized discount	5.2%-8.0%	\$ 1,179,219
1998 DWRP Bonds	Variable	1,415,000
		<u>\$ 2,594,219</u>
	<u>Interest Rate</u>	<u>Amount</u>
<b>Component Unit</b>		
Series 2005 Capital Improvement Bonds	2.95-4.15%	<u>\$ 800,000</u>

Annual debt service requirements to maturity for debt is as follows:

	<i>Governmental Activities</i>		<i>Business-type Activities</i>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 201,515	\$ 24,040	\$ 108,701	104,413
2007	178,788	21,108	138,701	100,239
2008	187,576	18,170	138,701	95,227
2009	191,364	14,766	143,701	90,189
2010	203,939	11,194	143,701	85,001
2011-2015	884,242	11,279	848,507	333,802
2016-2020	1,007,576	-	873,506	154,644
2021-2025	-	-	198,700	11,800
	<u>\$ 2,855,000</u>	<u>\$ 100,557</u>	<u>\$ 2,594,219</u>	<u>\$ 975,315</u>

# VILLAGE OF OXFORD, MICHIGAN

## Notes To Financial Statements

*Changes in Long-Term Debt.* Long-term liability activity for the year ended June 30, 2005, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government</b>					
<b>Governmental activities</b>					
Series 2005 Capital					
Improvement Bonds	\$ -	\$ 2,500,000	\$ -	\$ 2,500,000	\$ 151,515
Series 1990 Building					
Authority Bonds	245,000	-	(30,000)	215,000	30,000
Parking District #4 Bonds	130,000	-	(10,000)	120,000	10,000
Oxford Library Notes					
Payable	30,000	-	(10,000)	20,000	10,000
Accrued compensated					
Absences	64,496	80,617	(73,451)	71,662	42,170
	<u>\$ 469,496</u>	<u>\$ 2,580,617</u>	<u>\$ (123,451)</u>	<u>\$ 2,926,662</u>	<u>\$ 243,685</u>
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-type activities</b>					
1996 Water Revenue					
Bonds, net of \$22,077					
unamortized discount	\$ 1,202,920	\$ -	\$ (23,701)	\$ 1,179,219	\$ 23,701
1998 DWRFBonds	1,500,000	-	(85,000)	1,415,000	85,000
Accrued compensated					
absences	10,556	1,953	-	12,509	-
	<u>\$ 2,713,476</u>	<u>\$ 1,953</u>	<u>\$ (108,701)</u>	<u>\$ 2,606,728</u>	<u>\$ 108,701</u>
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Component Unit</b>					
Series 2005 Capital					
Improvement Bonds	\$ -	\$ 800,000	\$ -	\$ 800,000	\$ 48,485

For the governmental activities, compensated absences are generally liquidated by the general fund.

### F. Segment Information – Enterprise Funds

The Water Fund and the Sewer Fund are individual funds that account entirely for the government's water and wastewater activities. These funds are segments and are reported as major funds in the fund financial statements; therefore, segment disclosures herein are not required.

# VILLAGE OF OXFORD, MICHIGAN

## Notes To Financial Statements

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### IV. OTHER INFORMATION

#### A. Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and distribution of assets; errors and omissions; injuries to employees and natural disasters. The Village carries commercial insurance to cover any potential claims associated with these risks and has had no claims that exceeded the insurance coverage during the past three years.

#### B. Property Taxes

The government's property taxes are levied each July 1 on the taxable valuation of property located in the Village as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest if paid in full by August 31<sup>st</sup>. As of September 30, the unpaid property taxes are added to the Oakland County tax rolls. Assessed values, as established annually by the government and subject to acceptance by the County, are equalized by the State at an estimated 50% of current market value. The taxable value of real and personal property in the Village for the 2004 levy, including industrial facilities was \$118,323,084. The government's general operating tax rate for fiscal 2004-05 was 12.62 mills.

Property taxes for the Downtown Development Authority (the "Authority") are derived from tax increment financing agreements with the various applicable taxing authorities. Under these arrangements, the Authority receives the property taxes levied on the increment of current taxable values over the base year values on those properties located within the established tax increment financing district.

Property taxes are recognized in the fiscal year in which they are levied.

#### C. Contingent Liabilities

##### Grove Street Property

The Village is in the process of purchasing a Grove Street property by exercising their right of eminent domain. The condemnation action is to ensure free parking to promote the viability of the community interests in the downtown area. The owner of the property is disputing the government's appraisal that values the land at \$170,000. The Village and the Downtown Development Authority equally recorded a restricted deposit for the full amount of the appraisal. Litigation is pending regarding the fair market value of the property in question. The actual cost of the property to the Village is contingent upon the outcome of the legal action and may be in excess of the original \$170,000 appraisal. The Trial Court has ruled that the Village did not satisfy its determination of "public necessity" for free parking and ruled accordingly. However, the Trial Court did subsequently on the Village's Application and Motion enter an injunction preventing development of the private lot in any way pending the Village's appeal to the



# VILLAGE OF OXFORD, MICHIGAN

## Notes To Financial Statements

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Michigan Court of Appeals. The Village expects to ultimately prevail. If the Village does not prevail, it would face attorney fees and costs under the condemnation statute against the Village of approximately \$60,000.

### General

Amounts received or receivable from grantor agencies are subject to audit and potential adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the government's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the government.

### **D. Joint Venture**

#### Oxford Public Fire and EMS Commission (OPFEC)

The Village is a member of the Oxford Public Fire and EMS Commission (the "Commission"), which provides fire and emergency services to the citizens of Oxford Township and the Village of Oxford, Michigan. The two member communities provide funding for its operations. During the year ended December 31, 2004, the last available audited financial statements, the Commission reported \$659,288 in total assets and \$112,024 in total liabilities, including \$530,738 in capital assets, net of accumulated depreciation. During the year ended June 30, 2005, the Village expensed approximately \$176,808 of payments made to the Commission. Complete financial statements for the Oxford Public Fire and EMS Commission can be obtained from the administrative offices at 96 N. Washington, P.O. Box 911, Oxford, Michigan 48371.

The Township of Oxford is currently seeking to dissolve the Commission. This is a complex matter involving the Village's desire to maintain governmental integrity and control of the fire department and EMS services as well as determination of equities dating back to the 1970's and a balancing of equities between the Township of Oxford and the Village of Oxford in the jointly operated fire department presently under the Oxford Public Fire and EMS Commission, including the Village's claim to clear title in the old fire hall. The Village has engaged expert services to put together the historical picture from financial and budget records involving the longstanding relationship and complex equities involved. The expert witness fees and litigation costs will likely be substantial, but cannot be reasonably estimated at this time.

# VILLAGE OF OXFORD, MICHIGAN

## Notes To Financial Statements

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### **E. Defined Benefit Pension Plan**

#### ***Plan Description***

The Village's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Village participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan operating and administered by the MERS Retirement Board. Public Act No. 220 of the Public Acts of 1996, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.

All full-time Village employees are eligible to participate in the MERS. Benefits vest after ten years of service. Village employees who retire at or after age 60 with ten years of credited service, age 55 with 15 years service or age 50 with 25 years of service, are entitled to an annual retirement benefit, payable monthly for life. This is the normal retirement benefit and is equal to 2.5% of the maximum 80% of final average compensation multiplied by the years of credited service. MERS also provides death and disability benefits. These benefits are established by state statute.

#### ***Funding Policy***

The Village is required to contribute at an actuarially determined rate; the current rate is 11.36% of annual covered payroll. Employees are currently not required to contribute to the Plan. The contribution requirements of the Village are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members, if any, are established and may be amended by the Village depending on the MERS contribution program adopted by the Village.

#### ***Annual Pension Cost***

For the year ended June 30, 2005, the Village's annual pension cost of \$79,579 for MERS was equal to the Village's required and actual contributions. The required contribution was determined as part of the December 31, 2002 actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 4.16% per year, depending on age, attributable to seniority/merit.

The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect market value. The Village's unfunded actuarial accrued liability is being amortized as a level percentage

# VILLAGE OF OXFORD, MICHIGAN

## Notes To Financial Statements

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of projected payroll on an open basis. The remaining amortization period at December 31, 2004, the date of the latest available actuarial valuation, was 30 years.

### Three-Year Trend Information

Fiscal Year <u>Ending</u>	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
6/30/2003	\$ 72,817	100 %	\$ 0
6/30/2004	77,321	100	0
6/30/2005	79,579	100	0

### F. State Construction Code Act Compliance

Public Act 245 of 1999 amended the State Construction Act to require Michigan municipal government's to establish fees that bear a reasonable relationship to the cost of operating their building departments. The Village's fee structure is not intended to fully recover its costs, and accordingly, the operations of the Village's building department are accounted for in the General Fund.

For the year ended June 30, 2005, the Village's revenue and expenditures related to its building department were as follows:

<u>Revenues</u>	
Building Permits	\$ 30,712
Electrical Permits	6,520
Heating Permits	5,260
Plumbing Permits	4,883
Other Revenue	509
Total Revenues	<u>\$ 47,884</u>
 <u>Expenditures</u>	
Salaries and Wages	\$ 55,241
Benefits	4,687
Operating Supplies	79
Total Expenditures	<u><u>\$ 60,007</u></u>

# VILLAGE OF OXFORD, MICHIGAN

## Notes To Financial Statements

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### G. Prior Period Adjustment

Due to corrections made for the prior year, the Village has restated the beginning Sewer Fund net assets in the amount of \$60,521. In the year ended June 30, 2004, the Village had recorded four quarters of sewage disposal expenses, however, they were for three quarters of FY04 and one quarter of expense that should have been recorded in FY03. Thus, the Village determined that the Sewer Fund payables were understated, resulting in an overstatement of the net assets as of June 30, 2004.

The effect on the beginning net assets is as follows:

Net assets of the Sewer Fund as of 6/30/04	\$ 2,568,688
Deduct: prior period adjustment	<u>(60,521)</u>
<b>Net assets of the Sewer Fund, restated, as of 7/1/04</b>	<b><u><u>\$ 2,508,167</u></u></b>

\* \* \* \* \*

***REQUIRED SUPPLEMENTARY  
INFORMATION***

# VILLAGE OF OXFORD, MICHIGAN

## Required Supplementary Information (Unaudited)

### Defined Benefit Pension Plan

#### Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Attained Age# (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio % (a / b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a) / c)
12/31/00	\$ 1,041,306	\$ 1,350,075	\$ 308,769	77%	\$ 516,357	60%
12/31/01	1,144,348	1,529,706	385,358	75%	587,803	66%
12/31/02	1,205,872	1,604,630	398,758	75%	649,166	61%
12/31/03	1,331,981	1,895,927	563,946	70%	748,047	75%
12/31/04	1,448,204	1,896,803	448,599	76%	708,365	63%

***COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES***

**VILLAGE OF OXFORD, MICHIGAN**  
**Combining Balance Sheet**  
**Non-Major Governmental Fund**  
**June 30, 2005**

	Special Revenue				Debt Service		Total
	Major Street	Local Street	Municipal Street	Building Authority	Municipal Debt Service	Parking District #4 Debt Service	
<b>Assets</b>							
Cash and cash equivalents	\$ 128,319	\$ 27,475	\$ 264,773	\$ 6,736	\$ -	\$ 74,821	\$ 502,124
Receivables:							
Special assessments	-	-	-	-	-	62,961	62,961
Due from other governments	27,958	9,789	11,001	-	-	-	48,748
Prepaid items	2,097	-	-	-	-	13,329	15,426
 Total assets	<u>\$ 158,374</u>	<u>\$ 37,264</u>	<u>\$ 275,774</u>	<u>\$ 6,736</u>	<u>\$ -</u>	<u>\$ 151,111</u>	<u>\$ 629,259</u>
<b>Liabilities</b>							
Accounts payable	\$ 4,236	\$ 493	\$ -	\$ -	\$ -	\$ 250	\$ 4,979
Deferred revenue	-	-	-	-	-	62,961	62,961
Total liabilities	<u>4,236</u>	<u>493</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,211</u>	<u>67,940</u>
<b>Fund balances:</b>							
Reserved for:							
Debt service	-	-	-	-	-	74,571	74,571
Prepaid items	2,097	-	-	-	-	13,329	15,426
Unreserved, designated	-	-	34,763	-	-	-	34,763
Unreserved, undesignated	152,041	36,771	241,011	6,736	-	-	436,559
Total fund balances	<u>154,138</u>	<u>36,771</u>	<u>275,774</u>	<u>6,736</u>	<u>-</u>	<u>87,900</u>	<u>561,319</u>
 Total liabilities and fund balance	<u>\$ 158,374</u>	<u>\$ 37,264</u>	<u>\$ 275,774</u>	<u>\$ 6,736</u>	<u>\$ -</u>	<u>\$ 151,111</u>	<u>\$ 629,259</u>



**VILLAGE OF OXFORD, MICHIGAN**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**For the Year Ended June 30, 2005**

	Special Revenue				Debt Service		Total
	Major Street	Local Street	Municipal Street	Building Authority	Municipal Building Debt Service	Parking District #4 Debt Service	
<b>Revenues</b>							
Taxes and special assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,162	\$ 10,162
Intergovernmental							
State	167,755	58,737	-	-	-	-	226,492
Investment earnings	910	559	5,232	125	-	6,448	13,274
Other	1,984	-	11,001	-	-	-	12,985
Total revenues	<u>170,649</u>	<u>59,296</u>	<u>16,233</u>	<u>125</u>	<u>-</u>	<u>16,610</u>	<u>262,913</u>
<b>Expenditures</b>							
Highways and street	126,464	61,170	366	-	-	-	188,000
Debt service:							
Principal	-	-	-	-	30,000	10,000	40,000
Interest and fiscal charges	-	-	-	-	16,470	7,465	23,935
Total expenditures	<u>126,464</u>	<u>61,170</u>	<u>366</u>	<u>-</u>	<u>46,470</u>	<u>17,465</u>	<u>251,935</u>
Revenues over (under) expenditures	<u>44,185</u>	<u>(1,874)</u>	<u>15,867</u>	<u>125</u>	<u>(46,470)</u>	<u>(855)</u>	<u>10,978</u>
<b>Other financing sources (uses)</b>							
Transfers in	32,401	14,601	-	46,720	46,470	-	140,192
Transfers out	-	-	(47,002)	(40,745)	-	-	(87,747)
Total other financing sources (uses)	<u>32,401</u>	<u>14,601</u>	<u>(47,002)</u>	<u>5,975</u>	<u>46,470</u>	<u>-</u>	<u>52,445</u>
Net change in fund balances	76,586	12,727	(31,135)	6,100	-	(855)	63,423
Fund balances, beginning of year	<u>77,552</u>	<u>24,044</u>	<u>306,909</u>	<u>636</u>	<u>-</u>	<u>88,755</u>	<u>497,896</u>
<b>Fund balances, end of year</b>	<u>\$154,138</u>	<u>\$ 36,771</u>	<u>\$ 275,774</u>	<u>\$ 6,736</u>	<u>\$ -</u>	<u>\$ 87,900</u>	<u>\$ 561,319</u>

**VILLAGE OF OXFORD, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**Major Streets**  
**For the Year Ended June 30, 2005**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Intergovernmental	\$ 169,294	\$ 169,294	\$ 167,755	\$ (1,539)
Investment earnings	200	800	910	110
Other	-	1,984	1,984	-
Total revenues	169,494	172,078	170,649	(1,429)
<b>Expenditures</b>				
Construction	30,000	116,807	-	116,807
Routine maintenance	90,853	101,988	88,828	13,160
Winter maintenance	23,190	19,674	19,668	6
Traffic service	16,790	18,234	4,975	13,259
Administration	7,187	7,187	6,988	199
Other	22,512	6,006	6,005	1
Total expenditures	190,532	269,896	126,464	143,432
Revenues over (under) expenditures	(21,038)	(97,818)	44,185	142,003
<b>Other financing sources (uses)</b>				
Transfers in	21,038	32,401	32,401	-
Net change in fund balances	-	(65,417)	76,586	142,003
Fund balance, beginning of year	77,552	77,552	77,552	-
<b>Fund balance, end of year</b>	<b>\$ 77,552</b>	<b>\$ 12,135</b>	<b>\$ 154,138</b>	<b>\$ 142,003</b>

**VILLAGE OF OXFORD, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**Local Streets**  
**For the Year Ended June 30, 2005**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Intergovernmental:				
State	\$ 57,643	\$ 57,643	\$ 58,737	\$ 1,094
Investment earnings	150	250	559	309
Total revenues	57,793	57,893	59,296	1,403
<b>Expenditures</b>				
Construction	-	250	-	250
Routine maintenance	33,638	37,938	29,378	8,560
Winter maintenance	25,460	24,319	24,317	2
Traffic service	6,513	9,806	3,336	6,470
Administration	2,926	2,926	2,926	-
Other	3,857	1,213	1,213	-
Total expenditures	72,394	76,452	61,170	15,282
Net change in fund balances	-	(3,958)	12,727	16,685
Fund balance, beginning of year	24,044	24,044	24,044	-
<b>Fund balance, end of year</b>	<b>\$ 24,044</b>	<b>\$ 20,086</b>	<b>\$ 36,771</b>	<b>\$ 16,685</b>

**VILLAGE OF OXFORD, MICHIGAN**  
**Statement of Net Assets/Governmental Fund Balance Sheet**  
**Downtown Development Authority**  
**June 30, 2005**

	<b>Special Revenue Fund</b>	<b>Capital Project Fund</b>	<b>Adjustments</b>	<b>Statement of Net Assets</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 720,461	\$ 792,159	\$ -	\$ 1,512,620
Taxes receivable	14,038	-	-	14,038
Allowance for taxes receivable	(3,574)	-	-	(3,574)
Prepaid items	1,414	-	-	1,414
Restricted asset-deposit on land acquisition	85,000	-	-	85,000
Capital assets, non-depreciable	-	-	828,433	828,433
	<u>-</u>	<u>-</u>	<u>828,433</u>	<u>828,433</u>
Total assets	<u>\$ 817,339</u>	<u>\$ 792,159</u>	<u>\$ 828,433</u>	<u>2,437,931</u>
<b>Liabilities:</b>				
Accounts payable	\$ 11,879	\$ -	\$ -	\$ 11,879
Accrued liabilities	-	-	2,181	2,181
Deferred revenue	10,437	-	(10,437)	-
Due to primary government	2,963	-	-	2,963
Bonds payable	-	-	800,000	800,000
Total Liabilities	<u>25,279</u>	<u>-</u>	<u>791,744</u>	<u>817,023</u>
<b>Fund Balance:</b>				
Reserved	85,000	-	(85,000)	-
Unreserved:				
Undesignated	707,060	792,159	(1,499,219)	-
Total fund balance	<u>792,060</u>	<u>792,159</u>	<u>(1,584,219)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 817,339</u>	<u>\$ 792,159</u>		
<b>Net assets</b>				
Invested in capital assets			818,411	818,411
Restricted			85,000	85,000
Unrestricted			(866,722)	717,497
Total net assets			<u>\$ 36,689</u>	<u>\$ 1,620,908</u>

**VILLAGE OF OXFORD, MICHIGAN**  
**Reconciliation of Fund Balance on the Balance Sheet**  
**for Component Unit to Net Assets of**  
**Component Unit on the Statement of Net Assets**  
**June 30, 2005**

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Fund balance - component unit	\$ 1,584,219
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add: capital assets	870,002
Deduct: accumulated depreciation	(41,569)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.

Add: deferred property taxes	10,437
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Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct: bonds payable	(800,000)
Deduct: accrued interest on bonds payable	(2,181)

Net assets of component unit activities	<u>\$ 1,620,908</u>
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**VILLAGE OF OXFORD, MICHIGAN**  
**Statement of Activities/Statement of Revenues,**  
**Expenditures and Changes in Fund Balance**  
**Downtown Development Authority**  
**For the Year Ended June 30, 2005**

	<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>Revenues</b>				
Taxes	\$ 315,330	\$ -	\$ 4,518	\$ 319,848
Interest	11,732	2,181	-	13,913
Miscellaneous	54,722	-	-	54,722
	<u>381,784</u>	<u>2,181</u>	<u>4,518</u>	<u>388,483</u>
<b>Expenditures/expenses</b>				
Community service	188,940	-	-	188,940
Interest on long-term debt	-	-	2,181	2,181
Capital outlay	10,000	10,022	(20,022)	-
	<u>198,940</u>	<u>10,022</u>	<u>(17,841)</u>	<u>191,121</u>
<b>Other financing sources (uses)</b>				
Proceeds from bond issuance	-	800,000	(800,000)	-
	<u>-</u>	<u>800,000</u>	<u>(800,000)</u>	<u>-</u>
Net change in fund balances	182,844	792,159	(975,003)	-
Change in net assets	-	-	197,362	197,362
Fund balances/net assets, beginning of year	609,216	-	814,330	1,423,546
<b>Fund balances/net assets, end of year</b>	<u><u>\$ 792,060</u></u>	<u><u>\$ 792,159</u></u>	<u><u>\$ 36,689</u></u>	<u><u>\$ 1,620,908</u></u>

**VILLAGE OF OXFORD, MICHIGAN**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Change in Fund Balance of Component Unit**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2005**

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Net change in fund balances - component unit	\$ 975,003
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay expenses	20,022
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Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Deduct: proceeds from bond issuance	(800,000)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.

Add: current year deferred revenue on delinquent personal property tax	4,518
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Deduct: increase in accrued interest payable on bonds	(2,181)
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Change in net assets of governmental activities	<u><u>\$ 197,362</u></u>
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***REPORT ON INTERNAL CONTROL  
AND COMPLIANCE***





**REHMANN ROBSON**

*Certified Public Accountants*

*A member of THE REHMANN GROUP*

*An Independent Member of Baker Tilly International*

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING  
STANDARDS**

October 7, 2005

To the Village Council  
Village of Oxford, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the ***Village of Oxford, Michigan*** as of and for the year ended June 30, 2005, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated October 7, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the ***Village of Oxford, Michigan's*** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the *Village of Oxford, Michigan's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, Mayor and City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.



**REHMANN ROBSON**

*Certified Public Accountants*

*A member of THE REHMANN GROUP*

*An Independent Member of Baker Tilly International*

October 7, 2005

To The Village Council  
Village of Oxford, Michigan

In planning and performing our audit of the financial statements of the ***Village of Oxford, Michigan***, for the year ended June 30, 2005, we considered the Village's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions concerning those matters. This letter does not affect our report dated October 7, 2005, on the financial statements of the ***Village of Oxford, Michigan***.

The accompanying comments and recommendations are intended solely for the information and use of the audit committee, management, and others within the organization and should not be used by anyone other than these specified parties.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Village personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist the Village in implementing the recommendations.

We would like to thank the staff and management of the ***Village of Oxford, Michigan*** for their assistance and cooperation in completing the audit.

**A.) BANK ACCOUNTS**

During our procedures, we noted that the Village has several bank accounts to segregate and maintain cash by individual fund.

Currently when the Village receives cash, it accounts for the receipt in the appropriate fund associated with the Village's accounting system. A deposit is prepared for each separate bank account in which money was received and physically deposited into the appropriate account.

All payroll disbursements are made through the General Fund on a check run. Amounts that are for funds other than the General Fund are automatically accounted for in the Village's accounting system. Cash then must be physically transferred from the separate fund accounts to the General Fund to settle the accounts.

Accounts payable disbursements are also accounted for in the Village's accounting software. A transfer must be made from each separate bank account to the accounts payable checking account (currently entitled General Fund checking).

Although we see how this process would have been of benefit in prior years, the current accounting system employed by the Village provides a reasonable basis to leverage the pooling of the Village's operating cash accounts.

**Recommendation**

We would recommend that the Village consider using one pooled cash account for the Village's operating cash instead of several (i.e. one for each fund) savings accounts. We believe that this will add more simplicity to the accounting and reconciliation of the Village's cash, create the opportunity to leverage better interest rates on deposited cash as the pooled amount would be much larger than several smaller amounts, eliminate the use of "due to/due from" account transactions which must be manually prepared general ledger transactions, and finally may reduce the costs associated with bank fees in maintaining several bank accounts.

**B.) BUDGET VIOLATIONS**

During our audit, we became aware of instances of noncompliance with PA2 of 1968 – excess of expenditures over appropriations.

**Recommendation:**

We understand the Village currently requests budget adjustments on a quarterly basis to help avoid this situation. However, the amendments typically requested and approved are for specific invoices/amounts. The Village should consider the year-end accruals that will be necessary when making final budget amendments. In addition, under current law, the Village needs only to pass the official budget by function (i.e. general government, public safety, public works, etc.) Currently, the budget is reported at the activity level, such as clerk, police, rubbish contracts, etc.

**C.) LONG OUTSTANDING LIABILITY**

During our audit, we noted a water fund liability of \$50,000 related to a deposit from a contractor for a subdivision that has been completed for several years. The contractor defaulted on the deposit, thus it has not been returned to him.

**Recommendation:**

The liability should be taken into revenue if the Village is reasonably certain they will not be required to repay the deposit.

**D.) CAPITAL ASSETS**

The Village formerly tracked and depreciated governmental and proprietary assets manually in Excel. In the fiscal year ended June 30, 2005, the Village began tracking assets in Fund Balance software. However, the reports (with the current settings) did not accommodate the needs of the Village. Additionally, the Excel detail listing of capital assets for the proprietary funds has not been adequately maintained.

**Recommendation:**

We would recommend that the Village further understand and integrate the automated system to record and depreciate governmental and proprietary assets including infrastructure into the financial reporting process.